

SUBCOMMITTEE 1

FINAL ACTION REPORT

Senate Budget and Fiscal Review Committee

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SUBCOMMITTEE No. 1

EDUCATION

K-12

Department of Education.....	1-1
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Child Development

California Department of Education—Child Development.....	1-7
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Higher Education

California State Library.....	1-7
University of California.....	1-7
California State University.....	1-9
California Community Colleges.....	1-9
Student Aid Commission.....	1-10

K-12 EDUCATION

6110 CALIFORNIA DEPARTMENT OF EDUCATION (CDE)

- Appropriated \$57.1 billion in ongoing Proposition 98 funding for K-12 education and community colleges in 2007-08, which provides \$2.1 billion (3.8 percent) in ongoing funds above the revised 2006-07 budget.
- Appropriated \$50.8 billion in ongoing Proposition 98 funding for K-12 education in 2007-08. In addition, the budget provides \$566.6 million in one-time funds for ongoing K-12 education programs in 2007-08 in order to meet a shortage of ongoing Proposition 98 funds. These one-time funds include:
 - \$250 million in Proposition 98 Reversion Account funds¹ for the Home-to-School Transportation program;
 - \$99.1 million from the Public Transportation Account for Home-to-School Transportation program;
 - \$115.5 million in Proposition 98 Reversion Account funds to backfill a reduction of ongoing deferred maintenance funds needed to fund a shortage of ongoing funds in 2007-08;
 - \$102 million in Proposition 98 Funds reappropriated for the High Priority Schools programs.
- Appropriated an additional \$133.2 million in one-time Proposition 98 Reversion Account funds for the following programs on a one-time basis:
 - \$100 million for the Emergency Repair Program for schools in the lowest three deciles of the Academic Performance Index. No new funding is provided for needs assessments;
 - \$18 million for Charter Schools Facility Grants to offset rental/lease costs for charter schools serving economically disadvantaged students.²

¹ The \$250 million in Proposition 98 Reversion Account funds were transferred back from the School Facilities Emergency Repair Account. Budget control language requires return of Proposition 98 Reversion Account funds to the Emergency Repair Account if determined by the Director of Finance to be necessary to cover approved grants. If funds are returned, Proposition 98 Reversion Account funds would be decreased and Public Transportation Account funds would be increased for the Home-to-School Transportation (HTS) program by the same amount of the return in order to maintain funding for the HTS program at the level appropriated in the 2007-08 Budget Act.

² These one-time funds are appropriated in SB 20 (Torlakson), which also contains language clarifying and strengthening the process for authorizing statewide benefit charter schools by the State Board of Education. **SB 20 (Torlakson) -- Enrolled.**

- \$8.8 million to provide full funding for the Beginning Teacher Support and Assessment (BTSA) program;
- \$4.1 million to address deficiencies in the Community Day School program in 2006-07;
- \$1.9 million to implement an equipment refresh plan for the K-12 High Speed Network;
- \$385,000 for the Fiscal Crisis Management Team (FCMAT) to prepare required annual status reports for three school districts with state emergency loans.
- Provided \$2.1 billion in total cost-of-living adjustments (COLAs) for K-12 education programs, which provides a 4.53 percent COLA increase in 2007-08. This amount reflects an increase of \$221.6 million from the Governor's January Budget, which estimated a COLA of 4.04 percent.
- Decreased funding for K-12 enrollment growth from 2006-07 revised levels by a net of \$11 million in 2007-08, which reflects negative attendance growth of -0.48 percent. This net amount reflects reductions for revenue limits and most categorical programs, zero growth for selected categorical programs and positive growth for other categorical programs with special statutory growth rates. When combined with other baseline reductions, the LAO estimates a net reduction of \$61 million in baseline/growth adjustments for revenue limit and categorical programs in 2007-08 compared to the 2006-07 revised budget.
- Redirected \$364.1 million in funds the Governor proposed for new ongoing programs in 2007-08 to cover a budget shortfall in the Governor's May Revise budget for revenue limit apportionments.
- Approved the following ongoing increases for Child Care and Development programs in 2007-08: \$269 million for CalWORKS Stage 2 child care; \$7.7 million for CalWORKS Stage 2 and 3 adjustments; and \$6.8 million for the State Median Income Adjustment. In addition, the budget provides \$25.7 million in reappropriated funds for Child Care Stage 2 programs. (See following section on Child Care.)
- Appropriated \$50 million in ongoing funds to fully fund continuation of the Community Based English Tutoring program, pursuant to legislation. This program provides English language instruction to adults.
- Increased ongoing state funding for school meals by \$24.9 million -- to provide 21 cents per free and reduced-priced meal -- in order to improve the quality of school breakfasts and lunches, pursuant to legislation contained in the budget trailer bill. (See *Trailer Bill* section below.) Budget bill language requires that new funds be tied to improvements in the quality of the meals served; ensures that Child Nutrition Program expenditures do not exceed amounts appropriated in the budget, and requires CDE to notify the Department of Finance in writing 30 days prior to paying prior-year reimbursement claims for nutrition programs.

- Increased the Early Mental Health Initiative program by \$5 million to restore ongoing funding to a total of \$15 million. This program is administered by the Department of Mental Health.
- Continued \$2.1 million in funding for the second grade Standardized Testing and Reporting (STAR) program assessment and extended the sunset for the second grade assessment to July 1, 2011, consistent with the sunset for the STAR program overall. The second grade STAR test was previously scheduled to sunset on July 1, 2007.
- Approved \$34.9 million in one-time federal Reading First carryover funds for a three-year pilot project to encourage the development of professional development in reading for special education teachers. Of this amount, \$500,000 is provided to CDE for a contract with an external entity to evaluate the pilot project.
- Approved an increase of \$28.1 million in federal Title I School Improvement Set-Aside carryover funds for school and district improvement under the federal accountability system. Of this amount, \$23.9 million is set aside, pursuant to legislation, for schools and districts requiring program improvement in 2008-09. ***The Governor vetoed \$7.1 million appropriated for District Intervention and Intervention Teams to assist local educational agencies facing federal sanctions.***
- Approved \$350,000 in federal Title I funds for 4.0 new positions at CDE to assist school districts facing corrective actions pursuant to the No Child Left Behind Act. ***The Governor vetoed these funds.***
- Approved an additional \$1.1 million in federal Title II Teacher Quality funds for the Compliance, Monitoring, Interventions and Sanctions system. These funds will provide 8.0 positions and other expenses to work toward compliance with the Highly Qualified Teacher provisions of the federal No Child Left Behind Act. ***The Governor reduced funding to \$929,000 for 2.0 new positions and 4.0 unfunded existing positions.***
- Approved \$133,000 and 1.0 position within CDE to coordinate education services for incarcerated youth in California. The department will be required to prepare an annual report on youth served in correctional settings. ***The Governor vetoed these funds and positions.***
- Restored \$1.5 million in funding for the State Board of Education, including 9.2 positions, within a separate budget item for CDE.
- Provided \$1.1 million in federal special education carryover funds and \$1.6 million in federal Title III funds for English learners to CDE in order to provide monitoring and technical assistance for youth in alternative schools, county court schools, and Division of Juvenile Justice schools. ***The Governor vetoed all of these federal carryover funds for improving CDE monitoring and technical assistance to schools serving special populations of incarcerated youth in California.***
- Appropriated \$1.45 million in one-time federal Special Education carryover funds for the following purposes:

- \$450,000 as a COLA adjustment for the special education due process program. ***The Governor eliminated language tying these funds to the COLA;***
- \$450,000 for the CDE's state operations base program;
- \$400,000 for a research and best-practice dissemination project for improving outcomes for students with specific learning disabilities statewide. ***The Governor vetoed these funds;***
- \$150,000 in federal special education carryover funds for an independent evaluation of the due process contract to assess program access and outcomes and guide annual budget increases. ***The Governor vetoed these funds.***
- Approved \$1.35 million in one-time federal Title III funds for the following purposes:
 - \$1 million to fund an evaluation of English learner best practices pilot project pursuant to Chapter 561, Statutes of 2006. ***The Governor reduced this funding to \$500,000;***
 - \$300,000 for the evaluation of instructional materials pilot project for English learners, pursuant to legislation. ***The Governor vetoed these funds;***
 - \$50,000 for a pilot program to promote the use of interpreters for non-English speaking parents. ***The Governor vetoed these funds.***
- Provided \$1.4 million in one-time Title III funds for the development of reading and writing assessments for English learners in Kindergarten and first grade as a part of the California English Language Development Test (CELDT), pursuant to legislation. (See *Trailer Bill* section below.) These pre-literacy assessments are necessary to comply with requirements of the federal No Child Left Behind Act.
- Provided \$150,000 in one-time federal Title I School Improvement Set-Aside funds for a study to identify options for improving socio-economic indicators for students in order to improve school funding allocations for economically disadvantaged students. ***The Governor vetoed this funding.***
- Provided \$150,000 in one-time federal Title VI Student Assessment funds to develop measures of student assessment growth for purposes of making accurate year-to-year comparisons of student assessment outcomes.
- Provided an additional \$1.2 million in federal Statewide Longitudinal Data System Grant funds in order to cover a cost increase for development of the California Longitudinal Pupil Achievement Data System (CALPADS) in 2007-08. This brings total federal funding for CALPADS to approximately \$2.0 million in 2007-08.
- Appropriated an additional \$2.01 million in one-time funds from the Educational Telecommunication Fund to the Fiscal Crisis and Management Assistance Team for the purpose of administrating the California School Information Services (CSIS) program. These funds are needed to support and maintain statewide student data that is being collected in preparation for development of CALPADS. Funds will be used by CSIS to (1)

replace outdated server capacity; (2) purchase automated testing tools to assure software and system stability; and (3) provide technical assistance to meet workload.

- Adopted budget bill language to require CDE to report on the timeliness, activity levels, and outcomes of civil rights complaints filed with the department through the uniform complaints procedure.
- Adopted budget control language that establishes standards and reporting requirements for both K-12 education and the public higher education segments for the High Speed Internet Network. This language implements recommendations from a 2006 report by the Bureau of State Audits. ***The Governor vetoed this budget control section.***
- Continued deferral of annual mandate payments for K-12 education in 2007-08, estimated to cost \$160 million annually.
- Continued to defer payments of approximately \$1.1 billion in Proposition 98 apportionment programs from one fiscal year to the next. This practice commenced with the 2002-03 budget as a method of meeting the state's budget shortfall without reducing school programs and services.

Trailer Bills.

1. SB 80 (Committee on Budget and Fiscal Review). Omnibus Education Budget Trailer Bill. Makes numerous statutory changes needed to implement provisions of the 2007-08 budget package, including but not limited to, provisions that:

(a) condition school meal funding for LEAs and charter schools on compliance with higher nutritional guidelines for free- and reduced-price school meals and prohibits schools from selling or serving fried foods, foods containing artificial trans-fats and other specified oils and fats that negatively impact cardiovascular health;

(b) change the basis for calculating the maximum state meal reimbursement rate from the average statewide meal cost to the median statewide cost;

(c) extend the sunset of the inter-district transfer program by two years – from July 1, 2007 to July 1, 2009 and prohibits new school districts from identifying as districts of choice and participating in the program;

(d) require CDE to prepare an evaluation of the inter-district program by November 1, 2008;

(e) require CDE and a consortium of county offices of education to conduct an evaluation of the pilot project involving District Assistance and Intervention Teams, due April 1, 2010;

(f) extend the authority for CDE to operate the American Indian Early Childhood Education Program through January 1, 2009;

(g) continue authorization of the special disability adjustment calculation through 2007-08 as a part of the special education formula;

(h) continue the second grade test as a part of the STAR program for K-12 schools, making it consistent with the sunset for the overall STAR program in July 1, 2011;

- (i) conform California law to federal law by requiring that students in Kindergarten and first grade be assessed in early English literacy skills, as well as English listening and speaking skills as a part of the CELDT assessment program;*
- (j) suspend the “Sexual Harassment Training in the Law Enforcement Workplace” mandate for K-12 LEAs to conform to suspensions already enacted for other agencies;*
- (k) require that school districts and charter schools who received 2006-07 funding to enable them to develop plans for meeting their long-term fiscal obligations relative to post-employment non-pension benefits must submit those plans to their county superintendents on or before June 30, 2009;*
- (l) specify that \$500 million in one-time block grant funds appropriated in 2006-07 may be used for professional development in physical “education”, as well as, physical “fitness”;*
- (m) require CDE to report on its guidelines regarding access to longitudinal data that will be available from CALPADS, including options for providing access to longitudinal data while assuring compliance with the federal Family Educational Rights and Privacy Act (FERPA);*
- (n) continue deferral of \$388.3 million in various K-12 apportionment payments by one month – from June 2008 to July 2008 – in order to continue budget savings implemented in recent years by scoring expenditures in the following fiscal year;*
- (o) continue to defer \$200 million of community college expenditures from the 2007-08 fiscal year to the 2008-09 fiscal year; and*
- (p) state legislative intent that in 2008-09 additional funding for revenue limit equalization be given priority within the Proposition 98 minimum guarantee, after funding cost-of-living adjustments and enrollment growth for K-12 education programs operated in 2007-08.*
Chapter 174; Statutes of 2007.

2. SB 78 (Ducheny). Supplemental Budget Bill. Amends numerous items to the 2007 Budget Act, including many items that relate to K-12 education programs. These amendments to the Budget Conference Report reflect final budget agreements between the Legislature and the Administration for a number of K-12 budget items, including: Home-to-School Transportation; Public Transportation Account Funds; Deferred Maintenance; School Facilities Emergency Repair Funds; Proposition 98 Reversion Account Funds; STAR testing; and the State Board of Education. **Chapter 172; Statutes of 2007.**

3. AB 194 (Committee on Budget). Omnibus Budget Clean-Up Bill. Makes various technical changes and restorations to the 2007 Budget Act, including two provisions affecting K-12 education. These education provisions appropriate \$2.01 million from the Educational Telecommunication Fund for the CSIS program and appropriate \$5.0 million in Proposition 98 funds for wrap-around child care services. (See following section on Child Care.) **AB 194 (Committee on Budget) – Enrolled.**

CHILD DEVELOPMENT

6110 CALIFORNIA DEPARTMENT OF EDUCATION

- Fully funded Stage 2 and Stage 3 CalWORKs Child Care predominately using Proposition 98 funds.
- Utilized savings from the current-year Preschool program expansion to fund Stage 2 and Stage 3 CalWORKs Child Care.
- Provided \$6.8 million to "unfreeze" the State Median Income (SMI) levels and allow families to earn slightly more and still retain their subsidized child care services.
- Approved the continuation of \$50 million for the current-year expansion of the state preschool program (pursuant to Chapter 211, Statutes of 2006). *Of this amount, \$5 million was approved by the Legislature for the use of wrap-around care by all state preschool participants; however, these funds were vetoed by the Governor. These vetoed funds were later restored in Assembly Bill 194 after the Legislature agreed to change the focus of the appropriation and provide "priority" specifically to the Governor's Prekindergarten and Family Literacy Programs.* The Legislature denied the Governor's proposal to further expand the state preschool program in 2007-08.

HIGHER EDUCATION

6120 CALIFORNIA STATE LIBRARY

- Augmented by \$1 million the amount available for the Public Library Foundation; however, the *Governor vetoed the \$1 million augmentation as well as an additional \$7 million from the base budget of the program.*
- *The Governor vetoed \$7 million from the base budget of the Direct and Interlibrary Loan Program, which reimburses local libraries for costs incurred from lending books to other libraries.*
- Provided an additional \$52,000 for the Library System Replacement Project, thus denying the Administration's proposal to redirect those funds from the Public Library Foundation.

6440 UNIVERSITY OF CALIFORNIA

- Approved the Governor's Compact with the University of California (UC) by providing a general support funding increase of four percent (\$116.7 million); increasing funding for enrollment growth equivalent to 2.5 percent; and approving a student fee increase of seven

percent (whereby one-third of the revenue will be returned to financial aid programs for students).

- Approved support for the UC Merced campus, as budgeted, at \$24 million.
- Restored funding for UC's Student Academic Preparation and Outreach programs by providing an additional \$19.3 million. State funds will be matched with \$12 million of university funds. The Governor's January proposal called for state funding to be eliminated from these programs.
- Augmented by \$500,000 the amount of funding available for the California State Summer School for Math and Science (COSMOS).
- Restored funding for Labor research and education programs by providing \$6 million.
- Augmented the amount of funding available for statewide agriculture research by \$1.5 million and provided an additional \$1.5 million for oceanographic research at UC's Scripps Research Institute. *These augmentations were vetoed by the Governor.*
- Deleted the \$15 million augmentation proposed by the Governor for the Institutes for Science and Innovation.
- Deleted the \$5 million augmentation for the University's Petascale Supercomputing Facility proposal.
- *The Governor vetoed \$500,000 in funding used by the UC to support its UC-Mexico academic and research facility.*
- Provided \$70 million in Lease-Revenue Bonds to construct a new Energy Biosciences Institute at UC Berkeley (in conjunction with the receipt of a grant from the BP – formerly British Petroleum – corporation). Adopted budget bill language specifying that the funds only be released after the UC has provided a copy of its contract with BP to the Legislature.
- Appropriated \$130.6 million for Telemedicine-related projects, this amount represents the portion of the \$200 million set aside in Proposition 1D that the five University campuses with medical centers are able to expend in 2007-08.
- Appropriated \$10 million in General Obligation Bond Funds to construct a joint UC-Drew University nursing education program facility on the Charles R. Drew University of Medicine and Science campus. Funding is contingent upon the development of a joint nursing degree program between the two universities.
- Adopted Supplemental Reporting Language requiring the UC to (1) submit copies of campus Long Range Development Plans (LRDPs) and accompanying Environmental Impact Reports (EIRs) to the Legislature; (2) report on current and future off-campus mitigation measures associated with campus growth; and (3) report on the use of summer session courses.
- Adopted specific Supplemental Reporting Language related to growth on the UC Santa Cruz campus and the Legislature's intent that meaningful mitigation of off-campus impacts be achieved.

6610 CALIFORNIA STATE UNIVERSITY

- Approved the Governor's Compact with the California State University (CSU) by providing a general support funding increase of four percent (\$108.7 million); increased funding for enrollment growth equivalent to 2.5 percent; and approving a student fee increase of ten percent (whereby one-third of the revenue will be returned to financial aid programs for students).
- Restored funding for CSU's student academic preparation programs by providing an additional \$7 million. These funds are matched with \$45 million from the CSU's budget and provide early assessment services to students in K-12 schools.
- Approved a \$3.6 million augmentation for CSU to enroll an additional 340 full-time equivalent students in baccalaureate degree programs in nursing.
- Adopted Supplemental Reporting Language requiring the CSU to: (1) submit copies of campus Long Range Development Plans (LRDPs) and accompanying Environmental Impact Reports (EIRs) to the Legislature; (2) report on current and future off-campus mitigation measures associated with campus growth; and (3) report on the use of summer session courses.
- Approved all state-funded Capital Outlay projects, as budgeted.

6870 CALIFORNIA COMMUNITY COLLEGES

- Fully-funded a 4.53 percent Cost-of-Living Adjustment for Apportionments and select categorical programs.
- Restored \$33.1 million to the Basic Skills program that the Administration had proposed to be shifted to the Matriculation categorical program as part of the Governor's January Budget proposal. *However, the Governor vetoed the Legislature's action and set aside the entirety of the funds for purposes consistent with the Governor's community college related priorities. These funds were later restored in Assembly Bill 194 after the Community Colleges negotiated an alternative Basic Skills allocation formula with the Administration. This alternative allocation methodology places a particular emphasis on districts serving students transitioning directing from high school.*
- Adopted the Governor's proposal to reduce the community colleges' budget by \$80 million in the current and budget years (thus, rebenching apportionments on a permanent basis) to account for unused enrollment growth funding.
- Shifted the Governor's proposed \$10 million augmentation for the Matriculation categorical program to fund a rate increase for noncredit course offerings; this amount is further augmented by a shift of \$3.8 million redirected from a Governor's initiative to provide additional nursing prerequisite courses, thus bringing the total augmentation for noncredit instruction to \$13.8 million. *These funds were vetoed by the Governor and set aside for other "more compelling" Proposition 98 purposes.*
- Augmented by \$1.9 million (in ongoing funds) to provide textbook grants through the Extended Opportunity Programs and Services (EOPS).

- Approved all state-funded Capital Outlay projects, as budgeted.
- Appropriated \$26.7 million in one-time funds to the community colleges for a variety of high-priority uses including:
 - Scheduled maintenance and special repairs, replacement of instructional equipment and library materials, hazardous substances abatement programs, and architectural barrier removal projects (\$8.1 million);
 - Nursing and Allied Health Program Equipment (\$8.1 million);
 - Nursing program start up costs (\$4 million);
 - Part-Time Faculty Health Insurance (\$4 million) – *this augmentation was vetoed by the Governor.*
 - CalPASS Program (\$1 million);
 - Construction College Pilot Program (\$1.5 million) - *this augmentation was vetoed by the Governor.*

7980 CALIFORNIA STUDENT AID COMMISSION

- Fully funded the Cal Grant Program and the Assumption Program of Loans for Education.
- Authorized 100 new loan assumption warrants for the SNAPLE (State Nursing) loan assumption program and 100 new loan assumption warrants for the SNAPLE-SF (Nurses in State Facilities) loan assumption program.
- Provided one new position, \$100,000 General Fund, and authority for 100 new loan assumption warrants to implement the Public Attorney Loan Repayment Program (*all of which were vetoed by the Governor.*)
- Authorized the sale of EdFUND, or the effectuation of an alternative financial arrangement for the delivery of student loan services, and assumed \$1 billion in revenues to the State General Fund associated with the sale.
- Shifted funding for the ongoing operations of both the Student Aid Commission and the California Student Opportunity and Access Program (Cal-SOAP) from the Student Loan Operating Fund (which is generated by EdFUND) to the General Fund, in order to backfill the loss of EdFUND ongoing revenues – consistent with the pending sale of EdFUND.